

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MODIFICATION OF MAIL CLASSIFICATION  
SCHEDULE REGARDING FIRST-CLASS MAIL  
SINGLE-PIECE RESIDUAL PRICE TABLE

Docket No. MC2013-30

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1  
(January 18, 2013)

The Postal Service hereby files its responses to questions 1-9 of Chairman's Information Request No. 1, issued on January 15, 2013. Each question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. Please refer to Docket No. R2013-1, USPS-LR-R2013-1/1, October 11, 2012, worksheet CAPCALC-FCM-R2013.xls, tabs "SP Ltrs & Crds" and "SP Residual Pieces." The price change calculation shows that all residual pieces up to two ounces receive a rate increase from 46 cents to 48 cents.
  - a. Please confirm that the volumes in "SP Residual Pieces" represent all residual pieces whether from a mixed mailing of one- and two-ounce pieces, a mailing of all one-ounce pieces or a mailing of all two-ounce pieces.
  - b. If confirmed, please provide FY 2012 volumes for one-ounce and two-ounce residual pieces separately for mixed and non-mixed mailings.
  - c. If not confirmed, please explain how these volumes were derived.

RESPONSE:

- a. Confirmed.
- b. See the Excel spreadsheet CAPCALC-FCM-R2013-ChIR1.xls, provided with this response. A new tab, 'SP Residual Detail', has been added to what was filed in USPS-LR-R2013-1/1. That tab provides the requested volumes in cells B60 through D64.
- c. Not applicable.

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2. Please refer to Docket No. R2013-1, USPS-LR-R2013-1/1, October 11, 2012, worksheet CAPCALC-FCM-R2013.xls, tabs "SP Ltrs & Crds" and "SP Residual Pieces."
  - a. Please confirm that in the percent change calculation, residual pieces from mixed mailings of one- and two-ounce pieces, mailings of all one-ounce pieces, and mailings of all two-ounce pieces are treated as paying the residual rate.
  - b. If confirmed, please provide a calculation of the percentage change that reflects the price changes for the following four categories: one-ounce residual pieces from a one-ounce presort mailing, one-ounce residual pieces from a mixed presort mailing, two-ounce residual pieces from a two-ounce presort mailing, and two-ounce residual pieces from a mixed presort mailing.
  - c. If not confirmed, please explain the actual treatment of residual pieces from mixed mailings of one- and two-ounce pieces, mailings of all one-ounce pieces, and mailings of all two-ounce pieces in the percent change calculation.

**RESPONSE:**

- a. Confirmed.
- b. Please see Excel spreadsheet CAPCALC-FCM-R2013-ChIR1.xls, tab 'Single-Piece', cell I5 through I8. The 46-cent price is used in cell G5, because of the expectation that one-ounce residual pieces from pure one-ounce presort mailings would be entered separately, using the Single-Piece 46-cent rate. However, if a mailer chooses to present the one-ounce residual pieces with the pure one-ounce presort mailing, the residual pieces would be charged the 48-cent rate.
- c. Not applicable.

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3. Please refer to Docket No. R2013-1, USPS-LR-R2013-1/1, October 11, 2012, worksheet CAPCALC-FCM-R2013.xls, tabs "SP Ltrs & Crds" and "SP Residual Pieces."
- a. Please confirm that the formula in cell E5 should have been  
"=ROUND(E4+(SUM('SP Residual Pieces'!C9,'SP Residual Pieces'!C18,'SP Residual Pieces'!C28,'SP Residual Pieces'!C37)\*0.2)/SUM('SP Residual Pieces'!B7,'SP Residual Pieces'!B16,'SP Residual Pieces'!B26,'SP Residual Pieces'!B35,'SP Residual Pieces'!C7,'SP Residual Pieces'!C16,'SP Residual Pieces'!C26,'SP Residual Pieces'!C35),3)"
- not
- "=ROUND(E4+(SUM('SP Residual Pieces'!C9,'SP Residual Pieces'!C18,'SP Residual Pieces'!C28,'SP Residual Pieces'!C37)\*0.2)/SUM('SP Residual Pieces'!O7,'SP Residual Pieces'!O16,'SP Residual Pieces'!O26,'SP Residual Pieces'!O35),3)".
- b. If not confirmed, please explain in detail why the formula in cell E5 was correctly derived.

**RESPONSE:**

- a. Confirmed. Please note that this cell has been omitted from the spreadsheet filed with this response, because that spreadsheet instead provides four new rows with more detail, in tab 'Single-Piece'.
- b. Not Applicable.

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4. As proposed in this docket, please confirm that residual pieces from a two-ounce presort mailing would pay 66 cents per piece after January 27, 2013. If not, please explain.

**RESPONSE:**

Not confirmed. In the filing for this docket, the Postal Service was focused on which price (48 cents or 66 cents) would apply to residual two-ounce pieces from mixed (as opposed to identical-weight) Presort mailings. The Postal Service did not intend to change the application of the 48-cent price to residual pieces from identical-weight two-ounce (or one-ounce) Presort mailings. The table therefore should not be limited to Mixed mailings (despite that indication in the January 8 filing in this docket). The Postal Service believes that the following MCS language captures its intent.

*Single-Piece Residual Machinable Letters*

<b>Maximum Weight (ounces)</b>	<b>Residual Machinable Letters (\$)</b>
1	0.48 <sup>1</sup>
2	0.48 <sup>1</sup>
3	0.86
3.5	1.06

1. This price applies only to residual machinable letters that are presented with a Presort mailing. Retail prices for Single-Piece Machinable Letters will apply if the residual letters presented with a mixed-weight Presort mailing are purely two-ounce items.

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5. As proposed in this docket, please confirm that residual pieces from a one-ounce presort mailing would pay 46 cents per piece after January 27, 2013. If not, please explain.

**RESPONSE:**

Confirmed, based on the expectation that the pure one-ounce residual pieces would be entered separately as a Single-Piece (retail) mailing. However, if the pure one-ounce residual pieces are presented with a Presort mailing (either identical or mixed-weight), then the 48-cent price would apply.

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6. As proposed in this docket, please confirm that if a presort mailing of two-ounce pieces contained one one-ounce mailpiece, a residual piece from that mailing would pay 48 cents per piece after January 27, 2013. If not, please explain.

**RESPONSE:**

Not confirmed, assuming that all of the residual pieces weighed two-ounces. Pure two-ounce residual pieces from a mixed-weight Presort mailing would pay the Single-Piece retail rate of 66 cents. Residual pieces from a purely two-ounce Presort mailing would pay the 48-cent rate. However, the hypothetical presented in this question is unlikely to occur in practice, since a mixed Presort mailing will almost always contain more than one one-ounce piece.

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7. Please address the following hypothetical. A mailer's presort mailing contains both one-ounce and two-ounce pieces. The residual from that presort mailing contains only two-ounce pieces. Under the change proposed in this docket, what price per piece would the mailer pay for its residual pieces?

**RESPONSE:**

First, it is important to note that it is highly unlikely that a mixed-weight Presort mailing would generate only two-ounce residual pieces. Nevertheless, if a mixed-weight presort mailing produced only two-ounce residual pieces, the Postal Service would charge these pieces the Single-Piece retail rate of 66 cents. If a mixed-weight Presort mailing was presented with both one-ounce and two-ounce residual pieces, the residual items (up to two-ounces) would be charged the 48-cent rate.



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8. Does any of the information provided in response to questions 1-7 above change the price cap calculation? (39 C.F.R. 3010 subpart C). Please explain your answer.

**RESPONSE:**

Yes, as shown in the Excel spreadsheet CAPCALC-FCM-R2013-ChIR1.xls, tab 'Percent Change Summary', cell E10, the overall increase for First-Class Mail now is corrected to 2.512 percent compared to the 2.570 percent in the Docket No. R2013-1 filing (or 2.568 percent in the Commission's version, CAPCALC-FCM-R2013\_PRC.xls). The change primarily reflects the anticipated use of the 46-cent price (instead of 48 cents) for purely one-ounce residual pieces from a Presort mailing.

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9. Please explain why the change proposed in this docket is not a rate change, requiring 45 days' advance notice. (39 C.F.R. 3010.1).

**RESPONSE:**

The MCS change, as corrected in the response to question 4 above, does not change any prices from those reviewed in Docket No. R2013-1. Moreover, it does not change the application of these prices from what was intended in that filing. All residual pieces (up to two-ounces) presented with a Presort mailing will pay 48 cents. Note that: 1) purely two-ounce residual pieces presented with a mixed-weight presort mailing are subject to the 66-cent Single-Piece retail rate, and; 2) purely one-ounce residual items from a presort mailing will be charged the single-piece retail rate of 46-cents if they are presented as a separate Single-Piece (retail) mailing. These are simply applications of the existing Single-Piece Machinable Letters (retail) price table, rather than a price change.

Moreover, the Postal Service expects that mailers will present Residual pieces from a mixed-weight Presort mailing either: 1) as mixed-weight Residual mailings with a Presort mailing (in which case the 48-cent rate will apply to the under 2-ounce pieces, or; 2) as separate one-ounce and two-ounce retail mailings, paying 46 cents for one-ounce residuals, and 66 cents for two-ounce residuals. See 77 Fed. Reg. 75362, at 75363 (December 20, 2012). Consequently, in practice, the Postal Service does not expect that the footnote proposed in the response to question 4 will need to be applied. Absent the footnote, however, the Postal Service is concerned that mixed-weight Presort mailers will seek to separate their one-ounce residual pieces from their two-ounce residual pieces, thus paying 46-cents for the one-ounce residuals (entered as a

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separate Single-Piece (retail) mailing), and improperly attempting to pay 48 cents for the remaining (two-ounce) residuals presented with the Presort mailing.

As noted in the response to question 8, the price cap calculation has changed. Nevertheless, that change does not reflect a price change, since it is merely a recognition that residual pieces from a purely one-ounce Presort mailing would use the Single-Piece (retail) prices, rather than the new price table for residual pieces.